

Message Text

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PAGE 01 STATE 238408

45

ORIGIN OPIC-06

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /056 R

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OPIC/T:LNIELSON

OPIC/ID/NEA:DTRBOVICH

EB/IFD/DHSTEBBING

EA/K:PMA EW

EA/EP/RIMUS

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P 071352Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL PRIORITY

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: UNION OIL

REF: AMEMBASSY SEOUL 7787

1. PROPOSED PREPAYMENT NOT REPEAT NOT CONTINGENT ON SETTLEMENT OF KECO DEBTS, ALTHOUGH PROMPT PAYMENT WOULD BE MOST HELPFUL TO ALL CONCERNED PARTIES. PREPAYMENT PROPOSAL BASED ON PRESENT KI CASH AVAILABILITIES AND ASSUMES PAST RATE OF PAYMENT BY KECO. IT WILL NOT SERIOUSLY IMPAIR CURRENT RATIO WHICH, FOLLOWING PREPAYMENT, WILL BE MORE FAVORABLE THAN THAT OF MOST UTILITY COMPANIES.

2. PREPAYMENT WILL NOT REPEAT NOT ENSURE OPIC COVERAGE DOW
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PAGE 02 STATE 238408

INVESTMENTS WHICH ARE SUBSTANTIALLY GREATER. OPIC BOARD

MAY CONSIDER DOW INVESTMENTS AT FORTHCOMING MEETING, BUT WILL DO SO IN CONTEXT OF RISK-SHARING PROPOSAL FOR HIGH EXPOSURE COUNTRIES WHICH HAS BEEN DISCUSSED WITH DOW MANAGEMENT. WHILE PREPAYMENT NOT TIED TO DOW, IT WILL ENABLE OPIC TO CONTINUE TO INSURE LARGE NUMBER OF SMALLER INVESTMENTS, INCLUDING FOLLOWING NOW BEING PROCESSED: TIGER LEASING, BAKER COMMODITIES, MONSANTO, UNION CARBIDE, CORNING AND AMERICANA.

3. BENEFITS INURING TO KI, OPIC OR ROK FROM PREPAYMENT INCLUDE (1) REDUCTION OPIC INSURANCE AND FINANCE COVERAGE BY APPROXIMATELY 25 MILLION DOLLARS, INCLUDING OPIC GUARANTIES BY APPROXIMATELY 4.1 MILLION DOLLARS WITH RESULTS AS DESCRIBED ABOVE, (2) REMOVAL FROM KI OF EXCESS LOCAL CURRENCY WHICH WOULD DEPRECIATE GREATLY BY ANY DEVALUATION PARTICULARLY SINCE ALL LONG-TERM OBLIGATIONS IN DOLLARS; (3) SUBSTANTIAL LONG-TERM DEBT RELIEF AND SAVINGS FOR KI; (4) NEW INVESTMENT TO KOREA RESULTING FROM ADDITIONAL OPIC FINANCE AND INSURANCE AVAILABILITIES.

4. OPIC BELIEVES ADVANTAGES OF PREPAYMENT WHICH IS NOT CONTINGENT ON SETTLEMENT KECO DISPUTE, SUBSTANTIAL AND WARRANT FAVORABLE CONSIDERATION BY ROK.

5. MATTER DISCUSSED IN WASHINGTON WITH ECONOMIC MINISTER YANG WHO AGREED TO MAKE FAVORABLE RECOMMENDATION TO

ROK. DECONTROL AFTER OCTOBER 6, 1976. KISSINGER

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